

**FAIRFAX COUNTY REDEVELOPMENT  
AND HOUSING AUTHORITY  
Rental Program – Penderbrook  
(Project No. 880149)**

**FINANCIAL STATEMENTS  
June 30, 2010**

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## **Independent Auditor's Report**

The Board of Supervisors  
County of Fairfax, Virginia

Virginia Housing Development Authority  
601 South Belvidere Street  
Richmond, Virginia 23220

The Board of Commissioners  
Fairfax County Redevelopment  
and Housing Authority

We have audited the accompanying basic financial statements of the Rental Program – Penderbrook, Project No. 880149 (the Project) of the Fairfax County Redevelopment and Housing Authority (the Authority) as of and for the year ended June 30, 2010 as listed in the accompanying table of contents. These basic financial statements are the responsibility of the Project's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the Virginia Housing Development Authority's *Mortgagor/Grantee's Audit Guide*. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the accounts of the Project and do not purport to, and do not, present fairly the financial position of the Authority as of June 30, 2010, and the results of its operations and its cash flows for the year ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Project at June 30, 2010, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2010 on our consideration of the Project's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance.

That report is an integral part of our audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-5 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Project's basic financial statements. The supplemental information on pages 17-26, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Clifton Gundersen LLP".

Baltimore, Maryland  
September 29, 2010

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**  
**Rental Program – Penderbrook**  
**(Project No. 880149)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2010**

**Introduction**

The Fairfax County Redevelopment and Housing Authority (FCRHA) is a political subdivision of the Commonwealth of Virginia and is empowered to implement housing, community development, redevelopment and revitalization programs within Fairfax County (the County) as well as towns, cities, and counties with which it has cooperation agreements. The Fairfax County Board of Supervisors created the Department of Housing and Community Development (DHCD) to act as the development and administrative agency for the FCRHA and the Board in meeting the housing and community development needs of the County's low- and moderate-income residents.

The FCRHA presents this discussion and analysis of Penderbrook, Project No. 880149 (the Project) for the fiscal year ended June 30, 2010 to assist the reader in focusing on significant financial issues. The Project consists of 48 rental units and is included in the overall Fairfax County Rental Program.

**The Project's Financial Highlights for Fiscal Year 2010 (FY 2010)**

In summary, the Project's FY 2010 financial highlights included the following:

- At June 30, 2010, total assets and liabilities were \$2,961,392 and \$520,864, respectively; thus, total net assets were \$2,440,528. Of this amount, \$810,226 (unrestricted net assets) may be used to meet the Project's future operational needs.
- Total revenues and expenses were \$486,851 and \$542,855, respectively; thus, net assets decreased by approximately \$56,004 in FY 2010.
- Total cash increased by \$32,562 in FY 2010 compared to an increase of \$139,659 in FY 2009. The decrease, on a year-to-year comparative basis, was primarily due to increased personnel costs, decreased interest earnings and an increase in repairs and maintenance.

**Project Financial Statements**

This discussion and analysis presents the Project's financial results in three financial statements – the statement of net assets, the statement of revenues, expenses, and changes in net assets and the statement of cash flows. The FY 2010 financial results are compared to those of FY 2009, thus allowing the readers to ascertain the reasons for changes in expenses, revenues, or net asset balances. These financial statements were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**  
**Rental Program – Penderbrook**  
**(Project No. 880149)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2010**

**Summary of Net Assets**

The Project's FY 2010 and FY 2009 statements of net assets report all financial and capital assets of the Project and are presented in a format where assets minus liabilities equals net assets. The following table reflects a condensed summary of net assets as of June 30, 2010 and 2009.

**Table 1**  
**Summary of Net Assets**

|   | <u>2010</u>                | <u>2009</u>                | <u>Increase<br/>(Decrease)</u> |
|---|----------------------------|----------------------------|--------------------------------|
| Current and restricted assets                   | \$ 1,679,529               | \$ 1,653,249               | \$ 26,280                      |
| Capital assets                                  | <u>1,281,863</u>           | <u>1,375,953</u>           | <u>(94,090)</u>                |
| Total assets                                    | <u>2,961,392</u>           | <u>3,029,202</u>           | <u>(67,810)</u>                |
| Current liabilities                             | 119,776                    | 91,428                     | 28,348                         |
| Non-current liabilities                         | <u>401,088</u>             | <u>441,242</u>             | <u>(40,154)</u>                |
| Total liabilities                               | <u>520,864</u>             | <u>532,670</u>             | <u>(11,806)</u>                |
| Net assets:                                     |                            |                            |                                |
| Invested in capital assets, net of related debt | 840,622                    | 897,329                    | (56,707)                       |
| Restricted                                      | 789,680                    | 724,975                    | 64,705                         |
| Unrestricted                                    | <u>810,226</u>             | <u>874,228</u>             | <u>(64,002)</u>                |
| <b>TOTAL NET ASSETS</b>                         | <u><b>\$ 2,440,528</b></u> | <u><b>\$ 2,496,532</b></u> | <u><b>\$ (56,004)</b></u>      |

The Project's net assets decreased by \$56,004 in FY 2010 compared to an increase of \$66,756 in FY 2009. The decrease, on a year-to-year comparative basis, was primarily due to increased operating costs for personnel services and a decrease in interest earnings and partially offset by a decrease in repairs and maintenance expenses.

**Capital Assets and Debt Administration**

**Capital assets.** The Project's capital assets as of June 30, 2010 included land, buildings and improvements, and equipment that totaled \$3,290,467, net of accumulated depreciation of \$2,008,604, providing net capital assets of \$1,281,863. For further details, see Note 2, page 13, Capital Assets.

**Long-term debt.** The Virginia Housing Development Authority (the VHDA) provided the permanent financing for the purchase of the land and buildings. For further details, see Note 3, pages 13 and 14 concerning debt and long-term liabilities of the Project.

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**  
**Rental Program – Penderbrook**  
**(Project No. 880149)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2010**

**Summary of Revenues, Expenses, and Changes in Net Assets**

The Project's Statement of Revenues, Expenses, and Changes in Net Assets include operating revenues, such as rental income, operating expenses, such as personnel services, utilities, repairs and maintenance, and depreciation, and non-operating revenues and expenses, such as investment income and interest expense. Table 2 presents a condensed summary of data from the Project's statements of revenues, expenses, and changes in net assets. As previously stated, the Project's net assets decreased by \$56,004 primarily as a result of increases in repairs and maintenance expenses and personnel costs.

**Table 2**  
**Summary of Revenues, Expenses, and Changes in Net Assets**

|  | <u>2010</u>         | <u>2009</u>         | <u>Increase<br/>(Decrease)</u> |
|--|---------------------|---------------------|--------------------------------|
| <b>Revenues</b>                            |                     |                     |                                |
| Operating revenues                         | \$ 479,841          | \$ 497,734          | \$ (17,893)                    |
| Non-operating revenues                     | <u>7,010</u>        | <u>25,181</u>       | <u>(18,171)</u>                |
| Total revenues                             | <u>486,851</u>      | <u>522,915</u>      | <u>(36,064)</u>                |
| <b>Expenses</b>                            |                     |                     |                                |
| Operating expenses                         | 509,974             | 420,568             | 89,406                         |
| Non-operating expenses                     | <u>32,881</u>       | <u>35,591</u>       | <u>(2,710)</u>                 |
| Total expenses                             | <u>542,855</u>      | <u>456,159</u>      | <u>86,696</u>                  |
| <b>Change in net assets</b>                | (56,004)            | 66,756              | (122,760)                      |
| <b>Total net assets, beginning of year</b> | <u>2,496,532</u>    | <u>2,429,776</u>    | <u>66,756</u>                  |
| <b>Total net assets, end of year</b>       | <u>\$ 2,440,528</u> | <u>\$ 2,496,532</u> | <u>\$ (56,004)</u>             |

Overall, the Project's financial position has declined as a result of the year's operation. However, the Project is in excellent physical condition and no major maintenance items are required at this time.

**Contacting FCRHA Management**

This financial report is designed to provide the citizens of Fairfax County, taxpayers, tenants, and investors and creditors with a general overview of the Project's finances, and to demonstrate the Project's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to the Director, Financial Management Division, Department of Housing and Community Development, 3700 Pender Drive, Suite 300, Fairfax, Virginia, 22030.

## **FINANCIAL STATEMENTS**



**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**  
**Rental Program – Penderbrook**  
**(Project No. 880149)**  
**STATEMENT OF NET ASSETS**  
**June 30, 2010**

**ASSETS**

**CURRENT ASSETS**

|  |                |
|--|----------------|
| Cash on deposit with County of Fairfax, Virginia                       | \$ 888,457     |
| Accounts receivable (less allowance for doubtful<br>accounts of \$593) | 1,178          |
| Interest receivable  | <u>214</u>     |
| Total current assets   | <u>889,849</u> |

**RESTRICTED ASSETS** (Note 1)

|                         |                |
|-------------------------|----------------|
| Deposits held in trust  | 18,906         |
| Replacement reserves    | <u>770,774</u> |
| Total restricted assets | <u>789,680</u> |

**CAPITAL ASSETS** (Note 2)

|                            |                    |
|----------------------------|--------------------|
| Nondepreciable:            |                    |
| Land                       | 649,636            |
| Depreciable:               |                    |
| Buildings and improvements | 2,587,486          |
| Equipment                  | 53,345             |
| Accumulated depreciation   | <u>(2,008,604)</u> |
| Total capital assets, net  | <u>1,281,863</u>   |

|                     |                            |
|---------------------|----------------------------|
| <b>TOTAL ASSETS</b> | <b><u>\$ 2,961,392</u></b> |
|---------------------|----------------------------|

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

|  |               |
|--|---------------|
| Accounts payable and accrued liabilities | \$ 40,156     |
| Deposits held in trust                   | 18,906        |
| Deferred revenue                         | 9,785         |
| Accrued compensated absences             | 10,776        |
| Mortgage payable (Note 3)                | <u>40,153</u> |
| Total current liabilities                | 119,776       |

**NONCURRENT LIABILITIES**

|                           |                |
|---------------------------|----------------|
| Mortgage payable (note 3) | <u>401,088</u> |
| Total liabilities         | <u>520,864</u> |

**NET ASSETS**

|   |                  |
|---|------------------|
| Invested in capital assets, net of related debt | 840,622          |
| Restricted net assets                           | 789,680          |
| Unrestricted net assets                         | <u>810,226</u>   |
| Total net assets                                | <u>2,440,528</u> |

|   |                            |
|---|----------------------------|
| <b>TOTAL LIABILITIES AND NET ASSETS</b> | <b><u>\$ 2,961,392</u></b> |
|---|----------------------------|

The accompanying notes are an integral part of the financial statements.

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**  
**Rental Program – Penderbrook**  
**(Project No. 880149)**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**Year Ended June 30, 2010**

**OPERATING REVENUES**

|                  |              |
|------------------|--------------|
| Dwelling rentals | \$ 476,770   |
| Other            | <u>3,071</u> |

|                          |                |
|--------------------------|----------------|
| Total operating revenues | <u>479,841</u> |
|--------------------------|----------------|

**OPERATING EXPENSES**

|                         |               |
|-------------------------|---------------|
| Personnel services      | 229,771       |
| Utilities               | 14,210        |
| Repairs and maintenance | 120,395       |
| Administrative expenses | 51,508        |
| Depreciation            | <u>94,090</u> |

|                          |                |
|--------------------------|----------------|
| Total operating expenses | <u>509,974</u> |
|--------------------------|----------------|

|                |                 |
|----------------|-----------------|
| Operating loss | <u>(30,133)</u> |
|----------------|-----------------|

**NONOPERATING REVENUES (EXPENSES)**

|                  |                 |
|------------------|-----------------|
| Interest revenue | 7,010           |
| Interest expense | <u>(32,881)</u> |

|                                  |                 |
|----------------------------------|-----------------|
| Total nonoperating revenues, net | <u>(25,871)</u> |
|----------------------------------|-----------------|

|                             |          |
|-----------------------------|----------|
| <b>CHANGE IN NET ASSETS</b> | (56,004) |
|-----------------------------|----------|

|  |                  |
|--|------------------|
| <b>TOTAL NET ASSETS, BEGINNING OF YEAR</b> | <u>2,496,532</u> |
|--|------------------|

|                                      |                     |
|--------------------------------------|---------------------|
| <b>TOTAL NET ASSETS, END OF YEAR</b> | <u>\$ 2,440,528</u> |
|--------------------------------------|---------------------|

The accompanying notes are an integral part of the financial statements.

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**  
**Rental Program – Penderbrook**  
**(Project No. 880149)**  
**STATEMENT OF CASH FLOWS**  
**Year Ended June 30, 2010**

**CASH FLOWS FROM OPERATING ACTIVITIES**

|   |              |
|---|--------------|
| Rental income received                  | \$ 483,720   |
| Miscellaneous income received           | 3,071        |
| Personnel expenses paid                 | (228,971)    |
| Administrative expenses paid            | (51,508)     |
| Operating and maintenance expenses paid | (97,334)     |
| Utilities paid                          | (14,210)     |
| Net tenant security deposits received   | <u>1,210</u> |

|   |               |
|---|---------------|
| Net cash provided by operating activities | <u>95,978</u> |
|---|---------------|

**CASH FLOWS FROM CAPITAL AND RELATED  
FINANCING ACTIVITIES**

|  |                 |
|--|-----------------|
| Principal payments on mortgage payable | (37,382)        |
| Interest payments on mortgage payable  | <u>(33,105)</u> |

|   |                 |
|---|-----------------|
| Net cash used in capital and related financing activities | <u>(70,487)</u> |
|---|-----------------|

**CASH FLOWS FROM INVESTING ACTIVITIES**

|                   |              |
|-------------------|--------------|
| Interest received | <u>7,071</u> |
|-------------------|--------------|

|                             |               |
|-----------------------------|---------------|
| <b>NET INCREASE IN CASH</b> | <b>32,562</b> |
|-----------------------------|---------------|

|                                |                         |
|--------------------------------|-------------------------|
| <b>CASH, BEGINNING OF YEAR</b> | <u><b>1,645,575</b></u> |
|--------------------------------|-------------------------|

|                          |                            |
|--------------------------|----------------------------|
| <b>CASH, END OF YEAR</b> | <u><b>\$ 1,678,137</b></u> |
|--------------------------|----------------------------|

**RECONCILIATION OF OPERATING INCOME TO NET CASH  
PROVIDED BY OPERATING ACTIVITIES**

|   |              |
|---|--------------|
| Operating loss  | \$ (30,133)  |
| Depreciation  | 94,090       |
| Effects of changes in operating assets and liabilities: |              |
| Accounts receivable                                     | 6,221        |
| Accounts payable and accrued liabilities                | 25,865       |
| Accrued compensated absences                            | (2,004)      |
| Deferred revenue  | 729          |
| Security deposits                                       | <u>1,210</u> |

|  |                         |
|--|-------------------------|
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b> | <u><b>\$ 95,978</b></u> |
|--|-------------------------|

The accompanying notes are an integral part of the financial statements.

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**  
**Rental Program – Penderbrook**  
**(Project No. 880149)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Narrative Profile**

The Fairfax County Redevelopment and Housing Authority (FCRHA) Rental Program – Penderbrook, Project No. 880149 (the Project), is comprised of two 24-unit apartment buildings included in the Fairfax County Rental Program. The Project is part of the privately owned Penderbrook community, which consists of approximately 1,800 housing units. The developers sold the land and buildings to FCRHA on September 7, 1988. The purchase price of the Project was financed by appropriations from the County of Fairfax, Virginia (the County) and a 30 – year mortgage from the Virginia Housing Development Authority (VHDA). FCRHA is a component unit of the County.

The accompanying financial statements present only the financial position, changes in financial position, and cash flows of the Project and are not intended to present fairly the financial position, changes in financial position, and cash flows of FCRHA in conformity with U.S. generally accepted accounting principles (GAAP).

The accounting policies of the Project conform to GAAP as applicable to proprietary fund types of governmental units. The following is a summary of the Project's more significant accounting policies:

**Measurement Focus and Basis of Accounting**

The activities of the Project are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The Project applies all applicable pronouncements of the Financial Accounting Standards Board (FASB) issued on or prior to November 30, 1989, unless these pronouncements conflict with pronouncements of the Governmental Accounting Standards Board (GASB). For external financial reporting in accordance with GAAP, the Project is following the reporting guidance set forth in GAAP for "departmental" financial statements.

**Use of Estimates in Preparing Financial Statements**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash on Deposit with County of Fairfax, Virginia, Restricted Assets and Deposits Held in Trust**

Project cash is maintained by the County's Investment and Cash Management Division (ICM) in a single pooled account. Deposits held in trust reflect amounts collected as security deposits from tenants, as well as accrued interest on these deposits. Such amounts are reported as

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**  
**Rental Program – Penderbrook**  
**(Project No. 880149)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash on Deposit with County of Fairfax, Virginia, Restricted Assets and Deposits Held in Trust**  
(continued)

current assets to be consistent with the reporting of the related liabilities. Cash reserves primarily consist of restricted deposits and funded reserves for repairs and replacements required to be maintained under HUD and VHDA guidelines, as well as cash balances in accordance with certain bond indentures. Such restricted assets have been included in cash for the purposes of the Statement of Cash Flows. All of the Project's cash deposits are covered by federal depository insurance and have been fully insured or collateralized. Temporary investments consist of money market investments that have a remaining maturity at the time of purchase of one year or less and are reported at amortized cost, which approximates fair values. The County allocates, on a monthly basis, any temporary investment earnings, less an administrative charge, based on FCRHA's average balance pooled cash and temporary investments.

**Custodial Credit Risk**

For deposits, custodial credit risk is the risk that in the event of a failure of a depository financial institution, the Project may not recover its deposits. In accordance with the Virginia Security for Public Deposits Act (Act), all of the Project's deposits are covered by federal depository insurance or collateralized in accordance with the Act, which provides for the pooling of collateral pledged by financial institutions with the Treasurer of Virginia to secure public deposits as a class. No specific collateral can be identified as security for one public depositor, and public depositors are prohibited from holding collateral in their name as security for deposits. If any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. If the value of the pool's collateral is inadequate to cover a loss, additional amounts are assessed on a pro rata basis to the members of the pool. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by participating financial institutions. A multiple financial institution collateral pool that provides for additional assessments is similar to depository insurance, therefore, funds deposited in accordance with the requirements of the Act are considered to be fully insured.

For investments, custodial credit risk is the risk that, in the event of the failure of a counterparty, the Project will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Per policy, all of the investments purchased by the Project are insured or registered or are securities held by the Project or its agent in the Project's name.

**Foreign Currency Risk**

The Project's cash is limited to U.S. dollar denominated instruments.

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**  
**Rental Program – Penderbrook**  
**(Project No. 880149)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets**

Capital assets, which include land, buildings and improvements, equipment, and construction in progress are reported in the financial statements at cost when purchased and at estimated fair value when donated. Capital assets are defined by FRCHA as assets with an initial individual cost of more than \$5,000 and an estimated useful life of more than one year. Depreciation has been provided for in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated useful lives using the straight line method. The estimated useful lives range from 5 to 27.5 years.

**Compensated Absences**

Employees of the Project are granted vacation and sick leave based on their length of service. Unused vacation leave is payable to employees upon termination based on the employees' current rate of pay, up to certain limits. Sick leave does not vest with employee; however, it is converted to years of service upon retirement. Accumulated vacation is recorded as an expense and an accrued liability as the benefits accrue to employees. The liability calculations include an accrual at the current rate for ancillary salary-related payments (e.g., employer's share of social security taxes).

**Revenue Recognition**

Dwelling rental revenues are recorded as rentals become due. Rental payments received in advance are deferred until earned. Revenue from grants are recognized in the fiscal year in which all eligibility requirements have been satisfied. Grant revenues received in advance of satisfying all requirements are reported as deferred revenue.

**Operating Revenues and Expenses**

The Project's policy is to report all project revenues and expenses as operating with the exception of interest revenue, interest expense, gain or loss on disposal of capital assets, and intergovernmental revenue.

**Implementation of New GASB Pronouncement**

In fiscal year 2010, the Project implemented GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*; GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The implementation of these new standards had no impact on the Project's fiscal year 2010 financial statements.

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**  
**Rental Program – Penderbrook**  
**(Project No. 880149)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 2 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2010 was as follows:

|  | <u>Beginning<br/>Balance</u> | <u>Additions</u>          | <u>Disposals</u>   | <u>Ending<br/>Balance</u>  |
|--|------------------------------|---------------------------|--------------------|----------------------------|
| Capital assets not being depreciated:  |                              |                           |                    |                            |
| Land                                   | \$ 649,636                   | \$ -                      | \$ -               | \$ 649,636                 |
| Total capital assets, non-depreciable  | <u>649,636</u>               | <u>-</u>                  | <u>-</u>           | <u>649,636</u>             |
| Capital assets being depreciated:      |                              |                           |                    |                            |
| Buildings and improvements             | 2,587,486                    |                           | -                  | 2,587,486                  |
| Equipment                              | 53,345                       | -                         | -                  | 53,345                     |
| Total capital assets being depreciated | <u>2,640,831</u>             | <u>-</u>                  | <u>-</u>           | <u>2,640,831</u>           |
| Less accumulated depreciation for:     |                              |                           |                    |                            |
| Buildings and improvements             | (1,861,169)                  | (94,090)                  | -                  | (1,955,259)                |
| Equipment                              | (53,345)                     | -                         | -                  | (53,345)                   |
| Total accumulated depreciation         | <u>(1,914,514)</u>           | <u>(94,090)</u>           | <u>-</u>           | <u>(2,008,604)</u>         |
| <b>Total capital assets, net</b>       | <u><u>\$ 1,375,953</u></u>   | <u><u>\$ (94,090)</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 1,281,863</u></u> |

**NOTE 3 – MORTGAGE PAYABLE**

The VHDA provided the permanent financing for the purchase of the Project's land and buildings. The outstanding balance of the mortgage loan was refinanced in February 2006 at a rate of 7.17% with final payment due October 1, 2018, the same date as the original loan. The monthly principal and interest payment is \$5,874.

The land, buildings and equipment of the Project are pledged as security for the mortgage loan. The Project maintains capital replacement reserves in accordance with provisions of Regulatory Agreement. This restricted cash is held by VHDA to be used for replacement of property.

The aggregate amount of the required principal and interest payments on the mortgage loan as of June 30, 2010 is \$587,389 and is due as follows:

|                       | <u>Principal</u>         | <u>Interest</u>          |
|-----------------------|--------------------------|--------------------------|
| Years Ending June 30: |                          |                          |
| 2011                  | \$ 40,153                | \$ 30,335                |
| 2012                  | 43,129                   | 27,358                   |
| 2013                  | 46,324                   | 24,163                   |
| 2014                  | 49,757                   | 20,731                   |
| 2015                  | 53,444                   | 17,043                   |
| 2016-2019             | <u>208,434</u>           | <u>26,517</u>            |
| <b>Total</b>          | <u><u>\$ 441,241</u></u> | <u><u>\$ 146,147</u></u> |

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**  
**Rental Program – Penderbrook**  
**(Project No. 880149)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 3 – MORTGAGE PAYABLE (CONTINUED)**

Noncurrent liability activity for the year ended June 30, 2010, was as follows:

|                  | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending<br/>Balance</u> | <u>Due Within<br/>One Year</u> |
|------------------|------------------------------|------------------|-------------------|---------------------------|--------------------------------|
| Mortgage payable | \$ 478,623                   | \$ -             | \$ 37,382         | \$ 441,241                | \$ 40,153                      |

**NOTE 4 – RISK MANAGEMENT**

The Project is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and citizens, and natural disasters. For all of these risks, the Project participates in the County's insurance program, which includes self-insurance and the purchase of certain commercial insurance policies, the costs of which are borne by the County. There were no claims settlements in excess of insurance coverage in any of the past three fiscal years. Information regarding the County's self-insurance internal service fund is available in the County's Comprehensive Annual Financial Report for the fiscal year ending June 30, 2010.

**NOTE 5 – OTHER POST-EMPLOYMENT BENEFITS**

The Fairfax County OPEB Trust Fund is a single-employer defined benefit plan administered by Fairfax County which the Project's employees participate. The County provides medical/dental, vision, and life insurance benefits to eligible retirees and their spouses. In order to participate, retirees must have reached the age of 55 or be on disability retirement and must have health benefit coverage in a plan provided by the County. Retirees must have five years of service in order to participate in this program. Beginning in fiscal year 2004, the amount of monthly subsidy provided by the County is based on years of service and ranges from \$30 per month to \$220 per month. Retirees receiving the subsidy prior to fiscal year 2004 are grandfathered at \$100 per month unless their years of service entitle them to receive a higher monthly subsidy.

In addition, the Board of Supervisors has established a program to subsidize the continuation of term life insurance, at reduced coverage amounts, for retirees. Retirees generally pay for fifty percent of their coverage amounts at age-banded premium rates, with the County incurring the balance of the cost. Benefit provisions are established and may be amended by the Board of Supervisors.

The contributions to the OPEB Trust Fund are established and may be amended by the Board of Supervisors. The contributions are typically based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits. GASB Statement No. 45 requires recognition of the current expense of OPEB based on each governing body's annual required contribution, but does not require funding of the related liability.



**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**  
**Rental Program – Penderbrook**  
**(Project No. 880149)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 5 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

Costs and related liability, if any, are recorded by the County. The County's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. Data concerning the ARC specifically applicable to employees of FRCHA are not available. Information concerning the County's OPEB Trust Fund as a whole is available in the County's June 30, 2009 Comprehensive Annual Financial Report.

**NOTE 6 – SUPPLEMENTAL INFORMATION**

The supplemental information that is included on pages 18 - 22 is presented in accordance with VHDA requirements. As a result of these requirements, line item classifications may differ from amounts reported on the Statement of Revenues, Expenses and Changes in Net Assets, however, revenue and expenses will agree in total.

## **SUPPLEMENTAL INFORMATION**

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**  
**Rental Program – Penderbrook**  
**(Project No. 880149)**  
**SUPPLEMENTARY INFORMATION**  
**June 30, 2010**

The following supplemental information is presented for the purpose of additional analysis:

**Accounts and Notes Receivable (Other than from Regular Tenants)**

None

**Accrued Liabilities**

Accrued liabilities represent salaries and fringe benefits earned during the final payroll cycle of June 2010 and vacation earned, but not used as of June 30, 2010. The amount is \$10,776.

**Delinquent Tenant Accounts Receivable**

|                                 | <u>Number of<br/>Tenants</u> | <u>Amounts<br/>Past Due</u> |
|---------------------------------|------------------------------|-----------------------------|
| Delinquent 0-30 days            | 6                            | \$ 1,433                    |
| Delinquent 31-60 days           | -                            | -                           |
| Delinquent over 60 days         | <u>4</u>                     | <u>338</u>                  |
| <b>Balance at June 30, 2010</b> | <u><u>10</u></u>             | <u><u>\$ 1,771</u></u>      |

**Tenant Security Deposits**

As of June 30, 2010, consistent with County of Fairfax, Virginia treasury procedures, tenant security deposits are not maintained in a separate trust fund. The VHDA has waived the requirement to deposit tenant security deposits in a separate account from all other funds of the Project. However, tenant security deposits, and the corresponding accrued interest associated with them, are restricted from use on the operations of the property.

**Reserve for Replacements**

In accordance with the provisions of the Regulatory Agreement, restricted cash is held by VHDA to be used for replacement of property with the approval of VHDA as follows:

|  |                          |
|--|--------------------------|
| Balance as of June 30, 2009, confirmed by mortgagee        | \$ 724,975               |
| Monthly deposits   | 43,008                   |
| Interest received  | <u>2,791</u>             |
| <b>Balance as of June 30, 2010, confirmed by mortgagee</b> | <u><u>\$ 770,774</u></u> |

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**  
**Rental Program – Penderbrook**  
**(Project No. 880149)**  
**SUPPLEMENTARY INFORMATION**  
**June 30, 2010**

**Accounts Payable, Accrued Liabilities, and Compensated Absences**

Payable within 30 days \$ 40,156

**Balance at June 30, 2010** \$ 40,156

Payables due in more than 60 days, all payables due mortgagee:

| <u>Creditor</u> | <u>Purpose</u> | <u>Date<br/>Refinanced</u> | <u>Terms</u> | <u>Original<br/>Amount</u> | <u>Amount<br/>Due</u> |
|-----------------|----------------|----------------------------|--------------|----------------------------|-----------------------|
| VHDA            | Mortgage       | February 2006              | 12 Years     | <u>\$ 587,942</u>          | <u>\$ 441,241</u>     |

**Schedule of Surplus Cash and Residual Receipts**

Cash:

Cash in treasury of County of Fairfax, Virginia \$ 888,457  
Deposits held in trust 18,906

Total cash 907,363

Less current obligations:

Tenant security deposits 18,906  
Accounts payable and accrued liabilities (due within 30 days) 40,156  
Accrued compensated absences 10,776  
Deferred revenue 9,785

Total current obligations 79,623

**Surplus cash and residual receipts to be deposited to  
operating reserve account\*** \$ 827,740

\* The VHDA has waived the requirements to deposit surplus cash and residual receipts for the Project.

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**  
**Rental Program – Penderbrook**  
**(Project No. 880149)**  
**SCHEDULE OF REVENUES AND EXPENSES**  
**Year Ended June 30, 2010**

| <b>Part I</b>                           | <b>Description of Account</b>                         | <b>Acct. No.</b> | <b>Amount</b> |            |
|---|---|------------------|---------------|------------|
| Rental Income<br>5100                   | Apartments or Member Carrying Charges (Coops)         | 5120             | \$ 476,770    |            |
|   | Tenant Assistance Payments                            | 5121             | —             |            |
|   | Furniture and Equipment                               | 5130             | —             |            |
|   | Stores and Commercial                                 | 5140             | —             |            |
|   | Garage and Parking Spaces                             | 5170             | —             |            |
|   | Flexible Subsidy Income                               | 5180             | —             |            |
|   | Miscellaneous (specify)                               | 5190             | —             |            |
|   | <b>Total Rent Revenue Potential at 100% Occupancy</b> |                  |               | \$ 476,770 |
| Vacancies 5200                          | Apartments  | 5220             | —             |            |
|   | Furniture and Equipment                               | 5230             | —             |            |
|   | Stores and Commercial                                 | 5240             | —             |            |
|   | Garage and Parking Spaces                             | 5270             | —             |            |
|   | Miscellaneous (specify)                               | 5290             | —             |            |
|   | <b>Total Vacancies</b>                                |                  |               | \$ —       |
|   | <b>Net Rental Revenue</b>                             |                  |               | \$ 476,770 |
|   | <b>Elderly and Congregate Services Income – 5300</b>  |                  |               |            |
|   | <b>Total Service Income (Schedule Attached)</b>       | 5300             | —             |            |
| Financial<br>Revenue                    | Interest Income – Project Operations                  | 5410             | —             |            |
|   | Income from Investments – Residual Receipts           | 5430             | —             |            |
|   | Income from Investments – Reserve for Replacements    | 5440             | 2,730         |            |
|   | Income from Investments – Miscellaneous               | 5490             | 4,280         |            |
|   | <b>Total Financial Revenue</b>                        |                  |               | \$ 7,010   |
| Other Revenue<br>5900                   | Laundry and Vending                                   | 5910             | —             |            |
|   | NSF and Late Charges                                  | 5920             | 2,097         |            |
|   | Damages and Cleaning Fees                             | 5930             | —             |            |
|   | Forfeited Tenant Security Deposits                    | 5940             | —             |            |
|   | Other Revenue (specify) (gain on lender refinancing)  | 5990             | 974           |            |
|   | <b>Total Other Revenue</b>                            |                  |               | \$ 3,071   |
|   | <b>Total Revenue</b>                                  |                  |               | \$ 486,851 |
| Administrative<br>Expenses<br>6200/6300 | Advertising   | 6210             | —             |            |
|   | Other Administrative Expense                          | 6250             | 34,670        |            |
|   | Office Salaries                                       | 6310             | 184,260       |            |
|   | Office Supplies                                       | 6310             | 471           |            |
|   | Office or Model Apartment Rent                        | 6312             | —             |            |
|   | Management  | 6320             | 35,134        |            |
|   | Manager or Superintendent Salaries                    | 6330             | —             |            |
|   | Manager or Superintendent Rent Free Unit              | 6331             | —             |            |
|   | Legal Expenses – Project                              | 6340             | 3,734         |            |
|   | Audit Expense – Project                               | 6350             | 6,579         |            |
|   | Bookkeeping Fees / Accounting Service                 | 6351             | —             |            |
|   | Telephone and Answering Service                       | 6360             | —             |            |
|   | Bad Debts   | 6370             | 6,054         |            |
|   | Miscellaneous Administrative Expenses (specify)       | 6390             | 2,266         |            |
|   | <b>Total Administrative Expenses</b>                  |                  |               | \$ 273,168 |
| Utilities Expenses<br>6400              | Fuel Oil / Coal                                       | 6420             | —             |            |
|   | Electricity (Light and Misc. Power)                   | 6450             | 2,717         |            |
|   | Water   | 6451             | 11,493        |            |
|   | Gas   | 6452             | —             |            |
|   | Sewer   | 6453             | —             |            |
|   | <b>Total Utilities Expense</b>                        |                  |               | \$ 14,210  |

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**  
**Rental Program – Penderbrook**  
**(Project No. 880149)**  
**SCHEDULE OF REVENUES AND EXPENSES**  
**Year Ended June 30, 2010**

| Part I   | Description of Account                               | Acct. No. | Amount |             |
|--|--|-----------|--------|-------------|
| Operating and Maintenance Expenses 6500        | Janitor and Cleaning Payroll                         | 6510      | \$ —   |             |
|  | Janitor and Cleaning Supplies                        | 6515      | —      |             |
|  | Janitor and Cleaning Contract                        | 6517      | 13,322 |             |
|  | Exterminating Payroll / Contract                     | 6519      | 3,426  |             |
|  | Exterminating Supplies                               | 6520      | —      |             |
|  | Garbage and Trash Removal                            | 6525      | 8,411  |             |
|  | Security Payroll / Contract                          | 6530      | —      |             |
|  | Grounds Payroll                                      | 6535      | —      |             |
|  | Grounds Supplies                                     | 6536      | —      |             |
|  | Grounds Contract                                     | 6537      | 4,815  |             |
|  | Repairs Payroll                                      | 6540      | —      |             |
|  | Repairs Material                                     | 6541      | 38,757 |             |
|  | Repairs Contract                                     | 6542      | —      |             |
|  | Elevator Maintenance / Contract                      | 6545      | —      |             |
|  | Heating / Cooling Repairs and Maintenance            | 6546      | —      |             |
|  | Swimming Pool Maintenance / Contract                 | 6547      | —      |             |
|  | Snow Removal   | 6548      | —      |             |
|  | Decorating Payroll / Contract                        | 6560      | —      |             |
|  | Decorating Supplies                                  | 6561      | —      |             |
|  | Other  | 6570      | 13,996 |             |
|  | Miscellaneous Operating and Maintenance Expenses     | 6590      | 268    |             |
|  | <b>Total Operating and Maintenance Expenses</b>      |           |        | \$ 82,995   |
| Taxes and Insurance 6700                       | Real Estate Taxes                                    | 6710      | —      |             |
|  | Payroll Taxes (FICA)                                 | 6711      | —      |             |
|  | Miscellaneous Taxes, Licenses, Permits and Insurance | 6719      | —      |             |
|  | Property and Liability Insurance (Hazard)            | 6720      | —      |             |
|  | Fidelity Bond Insurance                              | 6721      | —      |             |
|  | Workmen's Compensation                               | 6722      | —      |             |
|  | Health Insurance and Other Employee Benefits         | 6723      | 45,511 |             |
|  | Other Insurance (specify)                            | 6729      | —      |             |
|  | <b>Total Taxes and Insurance</b>                     |           |        | \$ 45,511   |
| Financial Expenses 6800                        | Interest on Bonds Payable                            | 6810      | —      |             |
|  | Interest on Mortgage Payable                         | 6820      | 32,881 |             |
|  | Interest on Notes Payable (Long-Term)                | 6830      | —      |             |
|  | Interest on Notes Payable (Short-Term)               | 6840      | —      |             |
|  | Mortgage Insurance Premium / Service Charge          | 6850      | —      |             |
|  | Miscellaneous Financial Expenses                     | 6890      | —      |             |
|  | <b>Total Financial Expenses</b>                      |           |        | \$ 32,881   |
| Elderly and Congregate Service Expenses 6900   | <b>Total Service Expenses (Schedule Attached)</b>    | 6900      |        | \$ —        |
|  | <b>Total Cost of Operations Before Depreciation</b>  |           |        | \$ 448,765  |
|  | <b>Profit (Loss) Before Depreciation</b>             |           |        | \$ 38,086   |
|  | Depreciation and Amortization                        | 6600      |        | \$ 94,090   |
|  | <b>Operating Profit or (Loss)</b>                    |           |        | \$ (56,004) |
| Corporate or Mortgagor or Entity Expenses 7100 | Officer Salaries                                     | 7110      | —      |             |
|  | Legal Expenses – (Entity)                            | 7120      | —      |             |
|  | Taxes – (Federal – State – Entity)                   | 7130-32   | —      |             |
|  | Other Expenses – (Entity)                            | 7190      | —      |             |
|  | <b>Total Corporate Expenses</b>                      |           |        | \$ —        |
|  | <b>Net Profit or (Loss)</b>                          |           |        | \$ (56,004) |

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**  
**Rental Program – Penderbrook**  
**(Project No. 880149)**  
**CHANGES IN CAPITAL ASSET ACCOUNTS**  
**Year Ended June 30, 2010**

|                            | <u>Capital assets</u>                             |                    |                    | <u>Accumulated depreciation</u>      |   |                              |                    |                                      |                            |
|----------------------------|---|--------------------|--------------------|--------------------------------------|---|------------------------------|--------------------|--------------------------------------|----------------------------|
|                            | <u>Restated<br/>Balance<br/>June 30,<br/>2009</u> | <u>Additions</u>   | <u>Disposals</u>   | <u>Balance<br/>June 30,<br/>2010</u> | <u>Restated<br/>Balance<br/>June 30,<br/>2009</u> | <u>Current<br/>provision</u> | <u>Disposals</u>   | <u>Balance<br/>June 30,<br/>2010</u> | <u>Net book<br/>value</u>  |
| Land                       | \$ 649,636  | \$ -               | \$ -               | \$ 649,636                           | \$ -  | \$ -                         | \$ -               | \$ -                                 | \$ 649,636                 |
| Buildings and improvements | 2,587,486   | -                  | -                  | 2,587,486                            | 1,861,169   | 94,090                       | -                  | 1,955,259                            | 632,227                    |
| Furniture and equipment    | <u>53,345</u>                                     | <u>-</u>           | <u>-</u>           | <u>53,345</u>                        | <u>53,345</u>                                     | <u>-</u>                     | <u>-</u>           | <u>53,345</u>                        | <u>-</u>                   |
| <b>Total</b>               | <b><u>\$ 3,290,467</u></b>                        | <b><u>\$ -</u></b> | <b><u>\$ -</u></b> | <b><u>\$ 3,290,467</u></b>           | <b><u>\$ 1,914,514</u></b>                        | <b><u>\$ 94,090</u></b>      | <b><u>\$ -</u></b> | <b><u>\$ 2,008,604</u></b>           | <b><u>\$ 1,281,863</u></b> |

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**  
**Rental Program – Penderbrook**  
**(Project No. 880149)**  
**IDENTIFICATION OF ENGAGEMENT AUDITOR**  
**June 30, 2010**

|                                   |  |
|-----------------------------------|--|
| Auditing firm:                    | Clifton Gunderson LLP                              |
| Office mailing address:           | 9515 Deereco Road, Suite 500<br>Timonium, MD 21093 |
| Office telephone number:          | (410) 453-0900                                     |
| Office fax number:                | (410) 453-0914                                     |
| Lead auditor and primary contact: | J. Michael Stephens, CPA                           |
| E-mail address:                   | mike.stephens@cliftoncpa.com                       |



**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**  
**Rental Program – Penderbrook**  
**(Project No. 880149)**  
**AUDIT COMPLIANCE AND INTERNAL CONTROL QUESTIONNAIRE**  
**June 30, 2010**

|                 |                                     |
|-----------------|-------------------------------------|
| Project Name    | <u>Rental Program – Penderbrook</u> |
| Project Number  | <u>880149</u>                       |
| Fiscal Year End | <u>June 30, 2010</u>                |

The Management Agent certifies that the answers below are complete and accurate to the best of their knowledge and belief. “No” answers may be indicative of an adverse condition. Management’s response and a plan of action to any adverse findings must be included in Appendix A, A-13, Corrective Action Plan.

| <b>Examination status</b>  | <b>Yes</b> | <b>No</b>                          | <b>N/A</b> |
|--|------------|------------------------------------|------------|
| <b>1. Mortgage Status</b>  |            |                                    |            |
| a. Are payments on all mortgages current?  | <b>X</b>   |                                    |            |
| b. Has the Mortgagor/Grantee complied with the terms and conditions of the modification, forbearance and/or workout arrangement?   |            |                                    | <b>X</b>   |
| c. If the workout agreement or subsequent correspondence requires periodic deposits of surplus cash, were such deposits made within thirty days after the end of the specified period?   |            |                                    | <b>X</b>   |
| <b>2. Books and Records</b>  |            |                                    |            |
| a. Are a complete set of books and records maintained in a satisfactory manner?  | <b>X</b>   |                                    |            |
| b. Does the Mortgagor/Grantee make frequent postings (at least monthly) to the ledger accounts?  | <b>X</b>   |                                    |            |
| <b>3. Cash Activities</b>  |            |                                    |            |
| a. Are the cash receipts deposited in an account in the name of the development?   |            | <b>X</b><br>As approved<br>by VHDA |            |
| b. Are all account balances federally insured?   | <b>X</b>   |                                    |            |
| c. If a centralized account is used, is it limited to disbursements?   |            | <b>X</b><br>As approved<br>by VHDA |            |
| d. Are security deposits kept in an account separate and apart from all other funds of the development?  |            | <b>X</b><br>As approved<br>by VHDA |            |
| e. Does the balance in the security deposit account equal or exceed the liability? <b>Note:</b> The liability should include the accrued interest payable.   | <b>X</b>   |                                    |            |
| f. Does owner and/or management have a fidelity bond in an amount at least equal to potential collections for two months (one month on Section 8 uninsured developments) that provides coverage for all employees handling cash? | <b>X</b>   |                                    |            |
| g. Did cash disbursements exclude payments for items   |            |                                    |            |

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**  
**Rental Program – Penderbrook**  
**(Project No. 880149)**  
**AUDIT COMPLIANCE AND INTERNAL CONTROL QUESTIONNAIRE**  
**June 30, 2010**

| <b>Examination status</b>  | <b>Yes</b> | <b>No</b> | <b>N/A</b> |
|--|------------|-----------|------------|
| listed below:  |            |           |            |
| • Legal expenses incurred in the sale of partnership interest?   |            |           | <b>X</b>   |
| • The fee for the preparation of a partner's, shareholder's or individual's federal, state, or local income tax returns?   |            |           | <b>X</b>   |
| • Expenses for advice to an owner on tax consequences of foreclosure?  |            |           | <b>X</b>   |
| • Reimbursement to the owners or affiliates for prior advances, capital expenditures and/or development acquisition costs while the mortgage/grant is in default, under modification, forbearance, or provisional workout arrangements?            |            |           | <b>X</b>   |
| • Were all disbursements from the operating account(s) made exclusively for operations or obligations of the development?  | <b>X</b>   |           |            |
| h. Were distributions made to, or on behalf of, the owners limited to those authorized by the Regulatory Agreement or the distributions in accordance with prior written approval of VHDA, while the development was in a "surplus cash" position? |            |           | <b>X</b>   |
| • If development was operating under a modification or forbearance agreement and/or a provisional workout arrangement, is it not in a "surplus cash" position for the purposes of distributions?   |            |           | <b>X</b>   |
| • In the use of rental proceeds to pay for costs included in the Mortgagor/Grantee's cost certification, are there no unauthorized distributions of development income?  |            |           | <b>X</b>   |
| i. Were residual receipts deposited with the mortgagee within thirty days after mortgagee request of such deposit?   |            |           | <b>X</b>   |
| j. Were excess rental collections in Section 236 developments remitted to HUD each month?  |            |           | <b>X</b>   |
| k. Does the Mortgagor/Grantee have a formal rent collection policy?  | <b>X</b>   |           |            |
| l. Is the collection policy uniformly enforced?  | <b>X</b>   |           |            |
| m. Is there a formal procedure for write-off of bad debts?   | <b>X</b>   |           |            |
| n. Have write-offs of tenants' accounts been less than five percent of the gross rent?   | <b>X</b>   |           |            |

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**  
**Rental Program – Penderbrook**  
**(Project No. 880149)**  
**AUDIT COMPLIANCE AND INTERNAL CONTROL QUESTIONNAIRE**  
**June 30, 2010**

| <b>Examination status</b>   | <b>Yes</b> | <b>No</b> | <b>N/A</b> |
|---|------------|-----------|------------|
| o. Are accounts receivable other than tenants' receivables composed exclusively of amounts due from unrelated persons or firms?   |            |           | <b>X</b>   |
| p. Were there indications that payments for services, supplies, or materials were not substantially in excess of amounts normally paid for such services in order to assure the most advantageous terms to the development? | <b>X</b>   |           |            |
| q. Were accounts payable remitted in a timely manner so as to not incur late charges/penalties?   | <b>X</b>   |           |            |
| <b>4. Management Compensation</b>   |            |           |            |
| a. Was compensation to the Management Agent limited to the amounts prescribed in the Management Agreement?  | <b>X</b>   |           |            |
| b. Did agent not charge development for expenses which the Management Agreement requires agent to pay?  |            |           | <b>X</b>   |
| <b>5. Rents and Occupancy</b>   |            |           |            |
| a. On unassisted developments, is the gross potential rental income from apartments equal to or less than that shown on the most recent rent schedule(s) maintained by the Management Agent?                                | <b>X</b>   |           |            |
| b. On an unassisted development with federal tax credits, are rents in conformance with Federal Low Income Housing Tax Credit (IRS Section 42) program guidelines and the Extended Use Agreement (EUA)?                     |            |           | <b>X</b>   |
| c. On assisted developments, are dwelling unit rents the same as those approved by VHDA on the most recent Rent Schedule, HUD No. 92458?  |            |           | <b>X</b>   |
| <b>6. HDA/HUD Subsidy Payments (Section 8/RAP Developments Only)</b>  |            |           |            |
| a. Were the amounts requested from VHDA/HUD adequately supported by the accounting records?   |            |           | <b>X</b>   |
| b. Were subsidy receipts recorded in the proper accounts?   |            |           | <b>X</b>   |
| c. Were utility allowance payments paid to residents within five business days of receipt from VHDA and in an amount equal to the corresponding utility allowance subsidy amounts received?                                 |            |           | <b>X</b>   |
| d. Were all uncashed utility allowance payments refunded to VHDA (via a Part II adjustment to the monthly Housing Assistance Payment) within six months of initial issuance by VHDA?  |            |           | <b>X</b>   |

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**  
**Rental Program – Penderbrook**  
**(Project No. 880149)**  
**CERTIFICATE OF ASSISTANT SECRETARY**  
**June 30, 2010**

I hereby certify that I have examined the accompanying financial statements, supplementary information, and management's discussion and analysis and, to the best of my knowledge and belief, they are complete and accurate. There were no changes in ownership during the year ended June 30, 2010.



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Mary A. Stevens  
Assistant Secretary  
Fairfax County Redevelopment and  
Housing Authority  
Employer Identification Number 52-1464034

**Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

The Board of Supervisors  
County of Fairfax, Virginia

Virginia Housing Development Authority  
601 South Belvidere Street

The Board of Commissioners  
Fairfax County Redevelopment  
and Housing Authority

We have audited the financial statements of the Rental Program – Penderbrook, Project No. 880149 (the Project) of the Fairfax County Redevelopment and Housing Authority (the Authority) as of and for the year ended June 30, 2010, and have issued our report thereon dated September 29, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Mortgagor/Grantee's Audit Guide*, issued by the Virginia Housing Development Authority.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Project's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Project's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Project's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Supervisors of Fairfax County, Virginia, the Board of Commissioners of the Fairfax County Redevelopment and Housing Authority, the Project's management, and the Virginia Housing Development Authority and is not intended to be and should not be used by anyone other than these specified parties.

*Clifton Gundersen LLP*

Baltimore, Maryland  
September 29, 2010